

To: 2200 - Atlanta Region, 2210 - Atlanta ROU, 1100 - Boston Region (KERSHON),
 2100 - Winston-Salem Region, 2110 - Winston-Salem ROU, 1700 - Pittsburgh Region,
 1710 - Pittsburgh ROU, 1810 - Cincinnati ROU (WEBSTES), 6610 - Denver ROU,
 2600 - Dallas Region, 6210 - Chicago ROU, 6600 - Denver Region, 2610 - Dallas ROU,
 6710 - Detroit ROU, 6200 - Chicago Region, 6700 - Detroit Region,
 5110 - N. California ROU (MORRISL), 6900 - St. Louis Region (VOREMBL),
 6910 - St. Louis ROU (JOHNSOK4), Bastian, Georgia N.,
 1200 - New York Region (SCULLYA), 1210 - New York ROU (ALVICH),
 5810 - Houston ROU (HOWARDC), 5800 - Houston Region (MYERSL),
 6310 - Minneapolis ROU (EUBANKS), 5610 - Seattle ROU (SCOTTS),
 5600 - Seattle Region (UNDERDK), 5410 - S. California ROU (PECKHAK),
 5400 - S. California Region, 1300 - Philadelphia Region (HAYESJ4),
 1310 - Philadelphia ROU (METZG), 1110, 2310 - S. Florida ROU (LAIRDS),
 2300 - S. Florida Region (SMITHJ5), 1600 - Buffalo Region (BURRELL),
 1610 - Buffalo ROU (BRZEZIE), 2910 - Richmond ROU (YOUNGP),
 2900 - Richmond (RHYNEJ), 6300 - Minneapolis Region, (REAUMER),
 5100 - N. California Region, (FLOTTMD)

DDA:MSMAIL=RJRWS/WSEXCH/ODOMT; O=RJREM; P=WSX400; A=RJR; C=US
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 DDA:MSMAIL=RJRWS/WSEXCH/CUNDARP; O=RJREM; P=WSX400; A=RJR; C=US
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From: Washburn, M
 Posted: 7/14/98 13:08
 Opened: 7/14/98 15:33
 Subject: walmart oos corrective action

rou's:

please copy to all affected sales/retail representatives. information should be treated as confidential. do not leave a copy with store personnel.

marty washburn

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R.J. REYNOLDS
TOBACCO COMPANY

Confidential-Do not leave with Store

July 14, 1998

Marty Washburn
National Account Manager-Wal*Mart

1002 McClain Road
Suite 108
Bentonville, AR 72712
1-501-464-0859 (Phone)
1-501-464-0217 (Fax)

To: All RJR Field Sales/Retail Personnel

Subject: 1. Correcting Wal*Mart Out-of-Stocks
2. Adjusting Max shelf Quantities

Out-of-stocks in Wal*Mart stores have accounted for 32.7% of our reported non-compliances in 1998 YTD. It is difficult to measure how much business this has cost RJR as well as Wal*Mart, however, our CPW average is down 8 cartons and Wal*Mart's overall cigarette business is down around 10% 1st quarter 1998 versus 1997.

Space limitations, incorrectly set modulators, inconsistent ordering procedures and non self service conversions are the primary culprits for RJR outs. Hopefully the recent "Core Item" remerchandising plan will improve our position in these stores.

Wal*Mart Corporate is concerned about the negative sales trend as we are. Below are a couple of procedures that may help our inventory situation:

1. When making a Wal*Mart call, if the store has a number of low-stocks or outs, RJR reps should list the item on a retail order receipt. (1 carton or less in stock) Give UPC or WM item number and quantities needed by brand.
2. Present to Dept. Mgr. for entry into the Telzon order machine. Both should review the "In transit" status to see if an order has been placed already. (eliminates duplicate orders)
3. If the order has been placed but is insufficient to fill the shelf and pack fixture, an additional order should be punched in at that time.
4. Do not leave a suggested order with the store. Find a Telzon and a member of management to enter an order before you leave the store. If management unavailable, contact the UPC associate for assistance.
5. If for some reason you cannot get the store to order what you need, fax the completed retail order receipt to my office, 1-501-464-0217. "ROR" must have store number, brands and quantities required, UPC #'s, and store person refusing to place the order. We will handle with WM Corporate and they will call the store to correct or order product directly to the store.
6. This procedure should not be a "crutch" for the store as Bentonville cannot order for 2500 stores. It is a stopgap measure only to fix a problem. Orders placed by Bentonville are viewed as a distribution and cannot be returned to McLane.

Important Note:

We have learned that after remerchandising to the core items, we must also adjust the "Max Shelf" quantities (build-to's) in the stores' Telzon machine. Many Dept. Mgr.'s will automatically do this, however, we should check the Telzon to ensure that the store has adjusted to fill RJR space/rows after the remerchandising. If not corrected an out-of-stock situation could be perpetuated.

Marty Washburn

cc: Fiori, AVP's, AMO's

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